



# REPAIR THE WORLD THROUGH PHILANTHROPY

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In Hebrew, there is an old expression, “tikkun olam” which loosely translates to “repair the world.” There are numerous causes—health care, poverty, social issues, the arts, and education to name a few—to give service and support to help repair the world.

With over 86,000 charities registered in Canada, our government effectively ‘subcontracts’ the support of many of these causes to the private sector. To encourage people and companies to take on this obligation, our tax system contains many material financial incentives. These include tax benefits for gifts of cash, physical property, and other gifts, such as appreciated, publicly traded securities.

The ultra wealthy provided US\$153B in philanthropic spending in 2018 – roughly equivalent to all US federal government spending on healthcare, education and energy for the same year.<sup>1</sup>

Many, however, are unaware of the power of life insurance to amplify the impact of their charitable giving. As an insurance brokerage and advisory firm, The Targeted Strategies Group uses life insurance as a tool to help ultra high net worth (UHNW) clients optimize their wealth to maximize the impact of their charitable giving. To meet the growing demands for innovation and diversification in philanthropic giving, we develop plans that are unique to the client’s circumstances and we provide counsel on how best to execute those plans.

One method is to donate an existing policy to a charity and then continue to pay the annual premiums. There are tax benefits for the initial contribution, as well as for on-going payments. Another way is to name the charity as the beneficiary of a life insurance policy. The charity collects the insurance proceeds upon death and the death benefit qualifies as a tax credit on your final income tax return. With proper estate planning, the right combination of philanthropic giving can repair the world while greatly reducing taxes upon death that would otherwise burden surviving family heirs.

In addition to these 'basic' ways to use life insurance for charitable giving, we help clients navigate the challenges that come from accumulating wealth. Many of our clients decide to leave a portion of their estates to charities. Sometimes, their motivation is that they have allocated their heirs an amount they feel will balance between being well looked after and not killing their ambition.

In other cases, clients set up private foundations during their lifetime, making substantial contributions of time and money, and obtaining the relevant tax benefits for their largesse. They often appoint family members as trustees to oversee investment of the funds and allocate the income to causes they support. This has the added benefit of creating harmony by bringing the family together for a greater, common purpose.

On average, each UHNW individual will donate US\$29.6M over the course of their lifetime.<sup>2</sup>

Tax benefits aside, the driving force behind philanthropic giving is the desire to use one's accumulated wealth to build a legacy, and to make the world a better place. The Targeted Strategies Group can help you repair the world.

<sup>1</sup> <https://www.wealthx.com/report/uhnw-giving-philanthropy-report-2019/>

<sup>2</sup> <https://medium.com/@teresaesmezyan/this-is-how-billionaires-are-donating-their-money-and-its-saving-more-lives-than-ever-6067be57918c>



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